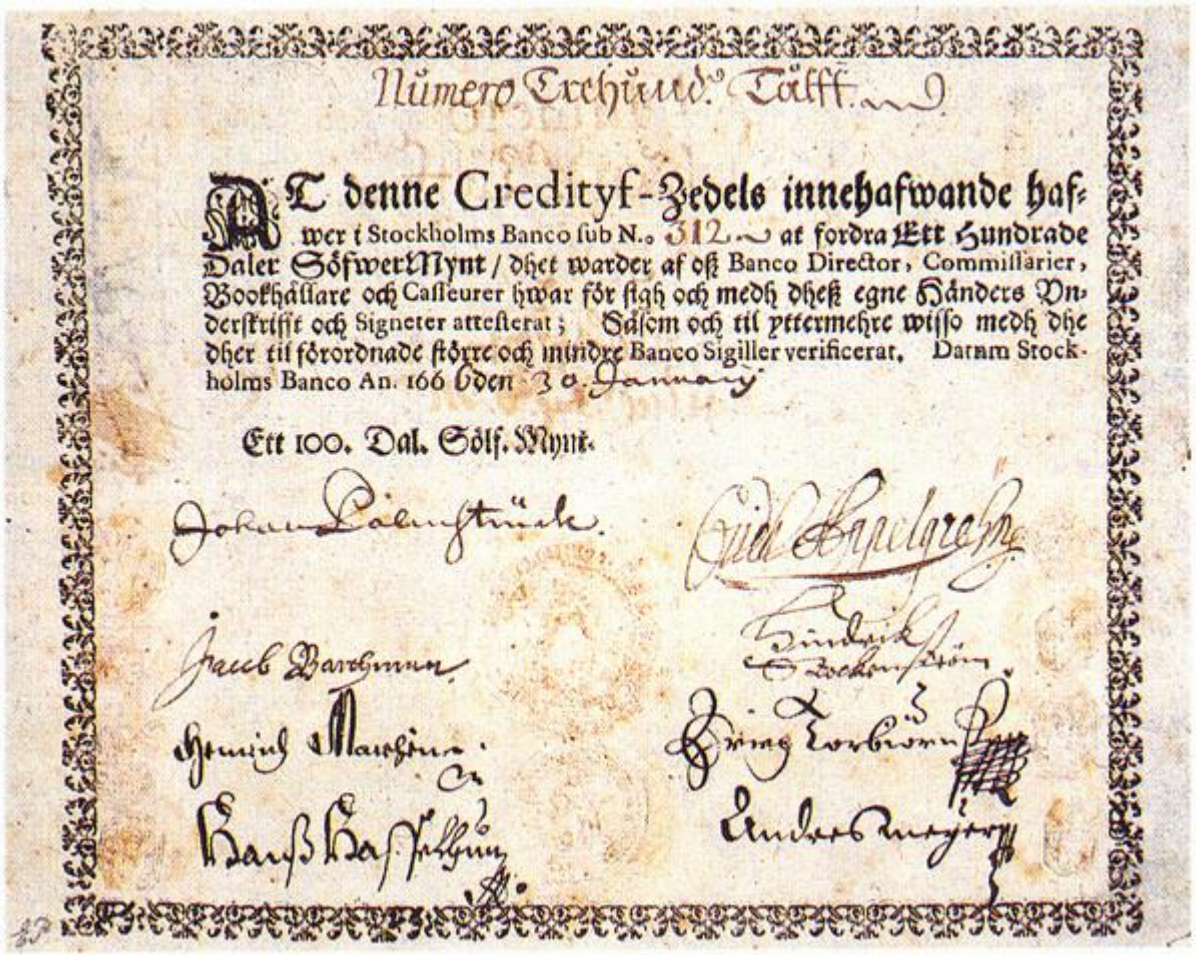
Stockholms Banco

in Sweden was the first European bank to print banknotes year 1666

STOCKHOLM 1661 – CASTLE "TRE KRONOR"

STOCKHOLM 1660

The first paper money in Europe (1666).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DEt denne Crediтyf-Zedels innehafwande haf-
wer i Stockholms Banco ſub N.o 312. at fordra Ett Hundrade
Daler Söfwert Mynt / dhet warder af oß Banco Director, Commiſſarier,
Bookhållare och Caſſeurer hwar för ſigh och medh dheß egne Händers Un-
derſkrifft och Signeter atteſterat; Säſom och til ytermehre wiſſo medh dhe
dher til förordnade ſtörre och mindre Banco Sigiller verificerat. Datum Stock-
holms Banco An. 166 den 30. January

Ett 100. Dal. Sölf. Mynt.

The first paper money in Europe, issued by the Stockholms Banco in 1666.

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Foto: Adolfsson, Thomas
Nordiska museet

Ett-Tuß-Siuhund-Siuttijo Siu
Zedels innehafwande haf-
1777 at fordra Tijo
Director, Commissarier,
egne Händers Vn-
wisso medh dhe
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Credityf-Zedels innehafwande haf-
wer i Stockholms Banco sub N:o 149 at fodra Ett Hundrade
Daler Sölfwer Mynt/ dhet warder af oß Banco Director, Commissarier,
Bookhållare och Casseurer hwar för sigh och medh dheß egne Händers Vn-
derskrifft och Sigiller attesterat; Såsom och til yttermehre wißo medh dhe
dher til förordnade större och mindre Banco Sigiller verificerat. Datum Stock-
holms Banco An. 1646 den 27 January
Ett 100. Dal. Sölf. Mynt.

COPYS

In Europe, the concept of banknotes was first introduced during the 13th century by travelers such as Marco Polo, with European banknotes appearing in 1661 in Sweden.

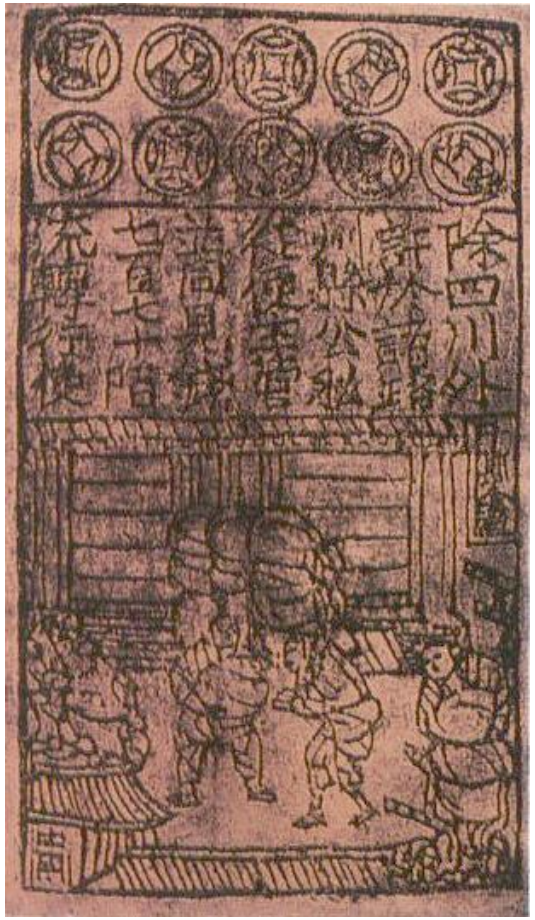
National banknotes are often — but not always — legal tender, meaning that courts of law are required to recognize them as satisfactory payment of money debts. Historically, banks sought to ensure that they could always pay customers in coins when they presented banknotes for payment. This practice of "backing" notes with something of substance is the basis for the history of central banks backing their currencies in gold or silver. Today, most national currencies have no backing in precious metals or commodities and have value only by fiat. With the exception of non-circulating high-value or precious metal issues, coins are used for lower valued monetary units, while banknotes are used for higher values.

A banknote (often known as a bill (in the US), paper money, or simply a note) is a type of negotiable promissory note, made by a bank or other licensed authority, payable to the bearer on demand. Banknotes were originally issued by commercial banks, which were legally required to redeem the notes for legal tender (usually gold or silver coin) when presented to the chief cashier of the originating bank. These commercial banknotes only traded at face value in the market served by the issuing bank. Commercial banknotes have primarily been replaced by national banknotes issued by central banks or monetary authorities.

Banknotes in history

In China during the Hotan dynasty, promissory notes appeared in 118 BC and were made of leather. Rome may have used a durable lightweight substance as promissory notes in 57 AD which have been found in London. However, Carthage was purported to have issued bank notes on parchment or leather before 146 BC. Hence Carthage may be the oldest user of lightweight promissory notes. The first known banknote was first developed in China during the Tang and Song dynasties, starting in the 7th century. Its roots were in merchant receipts of deposit during the Tang dynasty (618–907), as merchants and wholesalers desired to avoid the heavy bulk of copper coinage in large commercial transactions. During the Yuan dynasty (1271–1368), banknotes were adopted by the Mongol Empire.

Song Dynasty Jiaozi, the world's earliest paper money.



The first banknote-type instrument was used in China in the 7th century, during the Tang dynasty (618–907). Merchants would issue what is today called promissory notes in the form of receipts of deposit to wholesalers to avoid using the heavy bulk of copper coinage in large commercial transactions. Before the use of these notes, the Chinese used coins that were circular, with a rectangular hole in the middle. Coins could be strung together on a rope. Merchants, if they were rich enough, found that the strings were too heavy to carry around easily, especially for large transactions. To solve this problem, coins could be left with a trusted person, with the merchant being given a slip of paper (the receipt) recording how much money they had deposited with that person. When they returned with the paper to that person, their coins would be returned.

This is a logo for Sveriges Riksbank.

The Riksbank began operations in 1668. Previously, Sweden was served by the Stockholms Banco (also known as the Bank of Palmstruch), founded by Johan Palmstruch in 1656. Although the bank was private, it was the king who chose its management: in a letter to Palmstruch, he gave permission to its operations according to stated regulations. But Stockholms Banco collapsed as a result of the issuing of too many notes without the necessary collateral. Palmstruch, who was considered responsible for the bank's losses, was condemned to death, but later received clemency. On 17 September 1668, the privilege of Palmstruch to operate a bank was transferred to the Riksens Ständers Bank ("Bank of the Estates of the Realm") and was run under the auspices of the parliament of the day. Due to the failure of Stockholm Banco, the new bank was managed under the direct control of the Riksdag of the Estates to prevent the interference from the king. When a new Riksdag was instituted in 1866, the name of the bank was changed to Sveriges Riksbank.

A mid-19th century banknote for 32 Skillingar Banco (1843)

Lesson of the Stockholms Banco experience

Having learned the lesson of the Stockholms Banco experience, the Riksbank was not permitted to issue bank-notes. Nevertheless, in 1701, permission was granted to issue so called credit-notes". Some time in the middle of the 18th century, counterfeit notes began appearing, which caused serious problems. To prevent forgeries, it was decided that the Riksbank should produce its own paper for bank-notes and a paper-mill, Tumba Bruk, was founded in Tumba, on the outskirts of Stockholm.

A few years later, the first commercial banks were founded and these were also allowed to issue bank-notes. The bank-notes represented a claim to the bank without interest paid, and thus became a considerable source of income for banks. Nonetheless, security in the form of a deposit at the Riksbank was required to cover the value of all notes issued.

Between the years 1680-1906, the Riksbank was located at Järntorget in Stockholm, in a house designed by the architect Nicodemus Tessin d.ä. In 1906, the bank moved to Helgeandsholmen, Stockholm.

1928
SKOR
OVERALL
L.GROLL
LÄRFTSK

Riksbanken Gothenburg

1824 - The first local office starts

To facilitate the handling of cash and loans, the Riksbank will start branch offices in Gothenburg, and shortly thereafter in Malmö.

Malmö

1873 – The Swedish Krona

When the gold coin base is introduced, the new currency unit will be named the krona.

The gold standard meant that a certain amount of gold had a fixed price in its own currency. In this way, the krona received a fixed exchange rate against the other currencies included in the cooperation. The name of the new currency, the krona, came from France via Denmark. 1 krona was equal to 0.403225 grams of gold. Within the framework of the gold standard, Denmark and Norway also switched to kronor and öre as national currencies.

1873 – The Swedish Krona

The Riksbank maintained a dominant position

During the 19th century, the Riksbank maintained a dominant position as a credit institution and issuer of bank-notes. The bank also managed national trade transactions as well as continuing to provide credit to the general public. The first branch-office was opened in 1824, later followed with subsidiary branches opening in each county (län). The present operational activities as a central bank differ from those during the 19th century. For example, no interest-rate-related activities were conducted.

The position of the Riksbank as a central bank dates back to 1897, when the first Riksbank Act was accepted concurrently with a law giving the Riksbank the exclusive right to issue bank-notes.

Johan Palmstruch

Johan Palmstruch (June 13, 1611 – March 8, 1671) was a Latvian-born Dutch entrepreneur, financier, and financial innovator. He is often credited with the introduction of paper money to Europe.

Johan (Hans) Wittmacher was born in Riga where his father was a merchant. Sometime in the 1630s, he moved to Amsterdam where he married Margrieta van der Bosch (1617-1677) in February 1644.

He became a commissioner in the National Board of Trade after his arrival in Sweden in 1647 and began submitting proposals for banking institutions to King Charles X Gustav in the 1650s. The first two such proposals were rejected but the third, which promised half the bank's profits to the crown, was accepted. He was made a Swedish nobleman under the surname Palmstruch and become a commissioner at the National College of Commerce.

THE PALMSTRUCHSKA BANK

The privileges were issued to Palmstruch and his company as a private company, but early on the crown intervened deeply in the business. Just over two
weeks later, on December 16, 1656, Palmstruch received
the King's power of attorney to be the director of the banking company with the promise of annual
salary. A royal resolution on the same day stipulated that half of the bank's net profit would go to the krona and that the other half would be divided equally between the city of Stockholm and the company. In the Exchange Bank Ordinance of June 30, 1657
the king reserved the right to appoint bank commissioners.

In practice, the bank became a state institution. Palmstruch announced admittedly a number of distinguished gentlemen that they were co-participants, but at the same time declared that they did not need to inject any capital or take anyresponsibility. On the other hand, they would receive half of the profit added to the company, one eighth of the entire net. In this way he attached himself to Chancellor De la Gardie, Councilor of the Riksdag and Chamber of Deputies Gustaf Bonde and his brother Christer, President of
the Swedish Chamber of Commerce, the Swedish National Court of Appeal and Seved Bååt and a dozen others of the country's leading men. Gustaf Bonde became national treasurer after the king died and was succeeded in turn by Seved Bååt. So much profit to share became however, not for the gentlemen. According to what Palmstruch later stated, he will continue a single opportunity to have distributed a total of 10,000 dollars, which meant 625 dollars
to each of 16 co-participants.

In 1656 he was given royal permission to open a "bill of exchange and county bank", following a pattern from Amsterdam, together with his brother-in-law Reinhold Rademacher. Over the business, King Karl X Gustav appointed a chief inspector, whereby the bank had elements of state institutions from the very beginning. The bank's two tasks of lending and deposit, were two separate movements in the same company. Lending was paid for with the deposits in the exchange bank. The bank charged a deposit fee, and introduced 1661 banknotes to facilitate operations, as copper coins were heavy to handle. In this he was a pioneer, as each banknote corresponded to equal amounts. However, similar banknotes had been found in the Falu copper mine. In Italy, for example, receipts for the amounts entered were used instead.

The business went so well that he was able to open offices in Gothenburg, Falun and Turku. However, the banknotes were banned by the government and the Riksdag in 1664, after the values had fallen when the Fractional-Reserve Banking method was used. When the banking crisis led to the bank going bankrupt in 1668, it was bought up by the Swedish Parliament and transformed into the Riksens ständer bank, with which the world's first Riksbank was founded. However, it would be a long time before Sweden received any banknotes again.

For his failure with the bank, Palmstruch was sentenced to exile and he lost his nobility. He was also sentenced to pay damages, a sentence that would be converted to the death penalty if not met. In 1670 he was pardoned, but died the following year. He was buried in Täby church.

Irresponsible book-keeping

Palmstruch was charged with irresponsible book-keeping and with not having the cash to repay these credit notes due to miscalculation and omissions in his book-keeping. He was unable to make up this shortage and in 1668 was sentenced to loss of his title, loss of his banking privilege, and eternal exile or death. The government reprieved the death penalty and Palmstruch was instead imprisoned. He remained in prison until 1670 and died the following year at the age of 60.